

Report recommends cuts to salary, benefits for Montgomery County government employees

Officials say public school employees would have to participate

by Erin Cunningham | Staff Writer

Montgomery County government employees will have to take pay cuts and contribute more to their health and retirement benefits if the county is to get its spending under control, according to a report released Tuesday.

The most money could be saved by altering salary and benefits for Montgomery County Public Schools employees, who make up two-thirds of the county government's work force and receive more generous health benefits than the other agencies.

However, the Montgomery County Education Association — the union that represents the county's teachers — criticized the County Council on Tuesday for blaming government employees for the county's fiscal problems.

The council approves the school system's budget, but does not have oversight over how it spends the funds, Councilman George L. Leventhal (D-At large) of Takoma Park said Tuesday.

On average, county government employees have received 3.5 percent annual step increases, based on years of service, and 3.5 percent cost-of-living pay raises. In the current budget year, employees did not receive any pay raises and took unpaid leave.

The county has about 10,000 government employees, as well as more than 20,000 school system employees. In total, employees will earn about \$2.1 billion in salary in fiscal 2011, an increase from \$1.4 billion in fiscal 2002.

The report released Tuesday shows that the county could save \$22.9 million in fiscal 2012 by imposing a 1 percent pay cut for all government employees. A 5 percent pay decrease would save the county \$114.6 million — \$73.4 million of which would come from Montgomery County Public Schools.

For an employee earning \$70,000, a 1 percent decrease would reduce the employee's salary by \$700 a year. The same employee would lose \$3,500 under a 5 percent reduction.

The report also shows how the county could save money by providing smaller cost-of-living increases or cost-of-living raises every other year.

Other possibilities include charging county government employees 30 percent of the premium for their medical and prescription drug coverage. School system employees pay 5 percent of the premium cost for medical coverage, while county government employees pay 20 percent of the premium. Montgomery College employees pay 25 percent.

In all cases, the employer — the county government — pays the remaining share.

In fiscal 2011, the county expects to spend about \$314.6 million on benefits for active employees — rising to \$486.6 million in fiscal 2016.

In a statement released by the teachers union, President Douglas Prouty said spending cuts and revenue increases are needed to solve the county's budget problems.

Marshall Spatz, the school system's budget director, said officials will study the recommendations proposed by the county's Office of Legislative Oversight in Tuesday's report.

Councilman Philip M. Andrews (D-Dist. 3) of Gaithersburg said lowering personnel costs was preferable to layoffs.

The county would have to lay off 110 employees to save \$10 million, the report shows.

The council requested Tuesday's report from the county's Office of Legislative Oversight to study how the county could correct its fiscal problems, which will persist for the foreseeable future without action, officials say.

The report, which was released in two parts on Nov. 23 and Tuesday, shows that the primary cost drivers are employee salaries and benefits.

The office reports that the primary driver behind a 71 percent increase in spending by the county over a decade was a 64 percent increase in personnel costs.

Most of that increase was not because of the size of the work force, which grew 10 percent, but was due to cost hikes per employee, the report said.

The county is facing a more than \$300 million budget shortfall in fiscal 2012, which begins July 1.

Council President Valerie Ervin (D-Dist. 5) of Silver Spring said she is unsure whether the council will work to enact the recommendations during deliberations over the fiscal 2012 budget.

She said she hopes to have options being considered by the council this month based on the report.

While the school system has resisted the council's previous calls for it to reduce employee compensation, Ervin said her goal is to communicate with the school system about the urgency of the situation.

During this year's budget negotiations, the school system did not implement the employee furloughs that all other agencies did and threatened the council with a lawsuit if its budget was reduced.

Councilwoman Nancy Navarro (D-Dist. 4) of Silver Spring, who chairs the council's fiscal committee, said this year is different.

"I think now it's clear we will never go back to the way it was in the past," she said. "A different approach has to be taken."